

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

ILLINOIS INDEPENDENT TELEPHONE)
ASSOCIATION)

Petition for initiation of an investigation of)
the necessity of and the establishment of a)
Universal Service Support Fund in accordance)
with §13-301(d) of the Public Utilities Act)

Illinois Commerce Commission On Its Own)

Investigation into the necessity of and, if)
appropriate, the establishment of a Universal)
Support Fund pursuant to Section 13-301(d))
of the Public Utilities Act.)

Docket No. 00-0233

Docket No. 00-0335

ILLINOIS
COMMERCE
COMMISSION
APR 20 3 13 PM '01
CHIEF CLERK'S OFFICE

DIRECT TESTIMONY

OF

GORDON J. KRAUT, JR.

ON BEHALF OF

ALHAMBRA-GRANTFORK TELEPHONE COMPANY

April 20, 2001

1 **Q. Please state your name and business address.**

2 A. My name is Gordon J. Kraut, Jr. and my business address is 3220 Pleasant Run,
3 Springfield, Illinois 62707.

4 **Q. By whom are you employed?**

5 A. I am the consulting manager with GVNW Consulting, Inc. GVNW Consulting, Inc.'s
6 principal business is telecommunications consulting for small independent telephone
7 companies and we have provided consulting services to Alhambra-Grantfork
8 Telephone Company for several years.

9 **Q. Please describe your educational background.**

10 A. I graduated from Edgewood College in May of 1988 with a Bachelor of Science
11 Degree in business with an emphasis in accounting. I earned a master's in business
12 administration from Edgewood College in 1991.

13 **Q. Please provide your background in telecommunications.**

14 A. In 1988 I began my telecommunications career with TDS, Inc. as an internal auditor.
15 In 1993 I was promoted to Senior Internal Auditor and in 1994 I was promoted to
16 Associate Manager of Accounting in TDS Telcom. Early in 1996 I was promoted to
17 the position of Manager of Revenue and Earnings in the Government and Regulatory
18 Affairs Group. I joined GVNW, Inc. on October 20, 1997 and in my current position
19 I consult with independent telephone companies and provide financial analysis and
20 management advice in the areas of concern to these companies.

21 **Q. On what company's behalf is this testimony submitted?**

22 A. This testimony is submitted on behalf of Alhambra-Grantfork Telephone Company.

1 **Q. Have you prepared the Illinois Universal Service funding calculations for**
2 **Alhambra-Grantfork Telephone Company using the format agreed to by the**
3 **Staff and the IITA?**

4 A. Yes, I have. It is attached as Alhambra-Grantfork Telephone Company Exhibit 1,
5 Schedule 1.01 and consists of 3 pages.

6 **Q. Did you complete Alhambra-Grantfork Telephone Company Exhibit 1, Schedule**
7 **1.01 in accordance with the instructions and based on Alhambra-Grantfork**
8 **Telephone Company's ICC Form 23A or other information filed with the**
9 **Commission for the year ended December 31, 2000?**

10 A. Yes. Alhambra-Grantfork Telephone Company Exhibit 1, Schedule 1.01, was based
11 on the ICC Form 23A filed with the Commission.

12 **Q. Were these entries on Exhibit 1, Schedule 1.01 taken from books and records**
13 **kept by the company in the normal course of its business and recorded at the**
14 **time of the event?**

15 A. Yes.

16 **Q. Is Alhambra-Grantfork Telephone Company Exhibit 1, Schedule 1.01 true and**
17 **correct to the best of your knowledge, information and belief?**

18 A. Yes it is.

19 **Q. Based on the responses and content of Alhambra-Grantfork Telephone**
20 **Company Exhibit 1, Schedule 1.01, has Alhambra-Grantfork Telephone**
21 **Company provided Staff with certain additional documents?**

1 A. Yes. I have provided the Staff with a copy of Alhambra-Grantfork Telephone
2 Company's December 31, 2000, Trial Balance which we have requested be treated as
3 confidential and proprietary.

4 **Q. Have you provided the requisite information from Alhambra-Grantfork**
5 **Telephone Company Exhibit 1, Schedule 1.01 to Mr. Schoonmaker for his use in**
6 **compiling the composite results for all companies seeking funding in connection**
7 **with his testimony?**

8 A. Yes, I have.

9 **Q. Does page 1 of Alhambra-Grantfork Telephone Company Exhibit 1, Schedule**
10 **1.01 reflect any adjustments being proposed by Alhambra-Grantfork Telephone**
11 **Company?**

12 A. Yes. I have made two (2) standard adjustments on Alhambra-Grantfork Telephone
13 Company Exhibit 1. These adjustments are summarized in Schedule 1.02.

14 The first adjustment on line 1 is standard adjustment #4 as listed in Robert C.
15 Schoonmaker's testimony to include two significant plant investment changes. These
16 additions result in an increase to rate base of \$226,879. This represents two
17 construction projects that will be in place in 2001. The first project is new cable used
18 to serve the Grantfork exchange for \$157,729. The second is a major switch upgrade
19 to offer toll management features and voice announcement features.

20 **Q. Please explain the two construction projects.**

21 A. The Grantfork Exchange South Cable project which started on April 4, 2001, involves
22 the placement of underground cable. The company has already purchased cable and

1 supplies totaling \$74,936.45 and has a manhole on order from Hartford Concrete
2 Products in the amount of \$3,470.50. Splicing for this project is estimated at \$6,000
3 and engineering expenses are estimated at \$10,000. Communications Engineers, Inc.
4 in Springfield, Illinois is the engineer that is presently working on this project.

5 **Q. Is there a contractor who has been hired to perform this job?**

6 A. Yes. Utility Contracting Company entered into a contract with the phone company
7 for this project on February 28, 2001.

8 **Q. Let me hand you Alhambra-Grantfork Telephone Company Exhibit 1, Schedule**
9 **1.03 and ask you to identify it.**

10 A. This is a true and accurate copy of the contract for the buried cable project. It
11 contains numerous specifications for the underground wiring project and as shown on
12 the contract it is anticipated that the expense will be \$69,322. The contract calls for a
13 maximum amount of \$70,000.

14 **Q. You made reference to a major switch upgrade offering toll management**
15 **features and voice announcement features. Can you explain?**

16 A. Yes. The company has entered into an agreement with Innovative Systems, L.L.C. in
17 to provide various voice mail, announcement capability and toll control upgrades.
18 The cost will be \$50,235. The company will need additional software and a DS-1
19 module to interface with its switch for these features. The company will purchase
20 that equipment at an anticipated cost of approximately \$16,415.

21 **Q. Did you make any other adjustments to Alhambra-Grantfork Telephone**
22 **Company, Exhibit 1, Schedule 1.01?**

1 A. Yes. The second adjustment is on Alhambra-Grantfork Telephone Company Exhibit
2 1, Schedule 1.01, line 14 and was made is for a true up in 1999 Carrier Common Line
3 (CCL) Revenues that Alhambra-Grantfork Telephone Company recorded in 2000
4 financial statements. This is listed as standard adjustment #3 in Robert C.
5 Schoonmaker's testimony for out-of-period adjustments. Alhambra-Grantfork
6 Telephone Company received \$112,620 in CCL funding in 1999 based on projections
7 filed with the National Exchange Carrier Association in 1999. Alhambra-Grantfork's
8 1999 cost study, completed in July 2000, showed a CCL Revenue Requirement of
9 119,986. This results in a \$7,366 true up of 1999 CCL Revenue that was booked in
10 2000 revenue. This adjustment removes the \$7,366 of 1999 revenue booked in 2000.

11 **Q. Based on the format agreed to by the Staff and the IITA, what was Alhambra-**
12 **Grantfork Telephone Company's rate of return for the calendar year 2000?**

13 A. 10.24%.

14 **Q. Does Alhambra-Grantfork Telephone Company concur with Mr.**
15 **Schoonmaker's recommendation that its affordable rate be established at the**
16 **current weighted average rate for residential and business service?**

17 A. Yes.

18 **Q. Does that conclude your direct testimony on behalf of Alhambra-Grantfork**
19 **Telephone Company?**

20 A. Yes it does.